



STATE OF WASHINGTON
DEPARTMENT OF LICENSING
PO Box 9020, Olympia, Washington 98507-9020

**Washington Real Estate Commission
Meeting Minutes
September 19, 2006**

Opening: Director Elizabeth A. Luce called the regular meeting of the Washington Real Estate Commission to order at 9:02 a.m. on Tuesday, September 19, 2006, at the Oxford Suites, Spokane, Washington.

Members Present: Elizabeth A. Luce, Director/Chair
Paul Chiles, Commissioner/Vice Chair
Jim Carollo, Commissioner (Absent)
Alan Barnard, Commissioner
Bob Spain, Commissioner
Suki Bazan, Commissioner
George Pilant, Commissioner

Staff Present: Lee Malott, Administrator
Jerry McDonald, Assistant Administrator
Marjorie Hatfield, Secretary Administration
Diane McDaniel, AAG
Sandra Spencer, Investigations Manager
Karen Jarvis, Regulatory & Enforcement

Prior to the start of the commission meeting, Director Liz Luce made a presentation to Commissioner Alan Barnard who attended his final commission meeting. Alan has been a commission member for six years. Alan noted that he has enjoyed his term on the commission and felt that the commission has accomplished a great deal. He noted he has gotten and gained more than he has given. Alan gave praise to fellow commission members and to the Department for their continuing efforts and hard work.

OPEN SESSION

A. Approval of Agenda

MOTION: It was moved and seconded to approve the agenda as written.
Motion passed.

B. Approval of June Minutes

MOTION: It was moved and seconded to approve the minutes as written.
Motion passed.

C. Sub-Committee Reports

Changing Business Practices Committee: Commissioner Suki Bazan reported on the conference call where the conferees discussed predatory lending. Much of the discussion on predatory lending acknowledged the best way to protect the public with accurate and meaningful advise and having knowledgeable licensees. Commissioner Bazan noted that some of the items of discussion would be referred to the Education Committee such as the development of a newsletter. Additional topics of discussion by the Committee were the necessity of a communication plan with DFI, standardized forms, level of penalties and multiple offers.

Education Committee: Commissioner George Pilant reported on the teleconference with the Education Committee.

Items of discussion were:

Outreach: Research the possibility of real estate newsletter. Jerry McDonald will research the cost and report to the December commission meeting.

Education, core curriculum: Discussion followed on how new legislation affected real estate licensees.

Video/CD: Possibility using the services of community colleges developing public service announcements.

Education Fund Use: Discussion of use of education funds for multi-lingual home buying guides. Jerry McDonald will request a legal opinion from the Attorney Generals office.

Higher Education Approvals: Discussed issues regarding private schools associated with institutions of higher education to avoid Department requirements. Commission Pilant noted that it appears that some community colleges and technical colleges offering core classes that have not been approved by the Department and some that have been disapproved. Jerry McDonald and Glenn Crellin will bring some follow-up information on this topic.

Jerry McDonald indicated that he has asked for advice from Diane McDaniel, the Department's legal advisor. Upon review of the comments, Jerry will call for another meeting with the Education Sub-Committee and bring forward some of the advice that counsel has given.

Jerry McDonald was asked the cost of a newsletter. He indicated the cost could range from approximately eighty-seven cents for a one page folded mailer to approximately one dollar depending on graphics and size. With 43,000 active licensees, the cost to the Department would be great.

Glenn Crellin indicated that approximately 14 community colleges are offering some sort of real estate course with most offering real estate fundamentals, which is part of the core curriculum and given academic credit. Glenn noted that the problem is segregating what is offered as part of the individual community colleges or 4-year institution. Glenn Crellin has volunteered to provide additional information at the December commission meeting on what institutions of higher learning and community colleges are offering on academic program.

Jerry McDonald noted that he would like to have another teleconference call with the Education Sub-Committee and review the information provided by Diane McDaniel and share this information with the commissioners. Also Jerry would like to incorporate some of Commissioner Chiles and Glenn Crellin's ideas with regard to contacting community colleges.

Jerry McDonald suggested developing an action plan at the sub-committee so all commission members will be on board as to what will be done and how it will be done.

Bob Mitchell, Washington Realtors, shared with the commission that a significant meeting was taking place with representative with the members of the major forms providers. Groups from the NW Multiple, Washington Realtors and Spokane Association of Realtors and others are involved in the discussions.

D. Future of 18.85 Re-write

Jerry McDonald noted that the Department had made three changes the commission requested and the changes have been passed onto the Washington Realtors. The changes are:

1. Right of Way,
2. Education Fund Utilization and,
3. Handling of Disputed Earnest Money

Bob Mitchell stated that the Washington Realtors have been doing a great deal of internal and external stakeholder work that needs to be done. Most of that work has been accomplished. The Washington Realtors Consumer and Business Affairs Special Committee have recommended that the language in the statute that talks about establishing a separate interest bearing account for deposits in excess of \$10,000 be repealed from the proposal. Few brokers are now maintaining trust accounts and most of these trust accounts are being administered by third party closing entities whether escrow companies, title insurance companies, closing attorneys and others who are not bound by the same requirements as real estate brokers. Also costs of maintaining these pool interest-bearing accounts and do not generate sufficient interest to warrant the funds being in one. So the members of the Consumer and Business Affairs Special Committee are recommending that the

language in the statute that talk about establishing a separate interest bearing trust account for deposits in excess of \$10,000 be repealed from the proposal. All deposits would then go into a pool interest bearing trust account with 75% of the benefits goes into the housing trust fund and 25% is retained in the dedicated education fund.

Bob Mitchell noted that a number of organizations have expressed strong concerns about the proposal and indicated if recommended modifications were not made they would not support the proposal. Bob noted that the Washington Realtors Special Committee had made the recommendation to recommend to their legislative steering committee framing an advisory recommendation to make the necessary changes to address the concerns of the stakeholder groups. On October 4 the Executive Committee will meet to decide if they will make this part of their legislative package for 2007.

E. HomeWords

Jerry McDonald introduced Debbie Crowder and Frank Burger from the Spokane Association to give a presentation on HomeWords. HomeWords is a basic program to teach students about future home ownership whether it is renting, buying, leasing, how to establish their credit, or how to work with a real estate licensee. Real estate licensees, lenders, closing attorneys are available to go into classrooms and present this program at teacher's request. This has been a 5-year odyssey to get the program started. More information about the program can be found at www.spokanerealtor.com, clicking on HomeWords.

F. Focus Group

Ralph Osgood, Assistant Director talked about the Focus Group that would meet following the commission meeting. A group of about 15 local licensees and staff will sit down to have a conversation discussing the practices and procedures in the Real Estate Unit and the relationship to licensing, education, and outreach. Three basic questions will be asked of the group: (1) In your estimation, what is going well? (2) What can the Department be doing better as a division or agency? and (3) How is the industry going to change their lives over the next 5, 10, 20 years in order that Licensing be ready as the Department prepares its strategic business for conducting business in the future. Ralph Osgood indicated more focus groups would be held across the state.

G. Commissioner Handbooks

Jerry McDonald distributed the new Commissioner Handbooks. At the suggestion of Commissioner Pilant, handbooks were developed as an aid to new commissioners in their responsibilities as members of the Real Estate Commission. Jerry noted that the handbooks would be an ever-changing guideline for commission members and for new commission members.

H. By-Laws

Jerry noted in the Governor's handbook on Boards and Commissions the need for each board or commission to have by-laws. Jerry drafted a set of by-laws and asked Diane McDaniel, legal council to Real Estate, to look over these by-laws.

Commission members were also asked to read over the by-laws by the next commission meeting in December and forward any suggestions to staff. It is hoped commission members will be ready to vote on the by-laws at their next meeting.

I. Report on Mortgage Broker Commission Meeting

Lee Malott, Administrator, reported on the Mortgage Brokerage Commission Meeting. The meeting was the last of public meetings relative to Chapter 19 law change that will go into effect January 1, 2007 on the issue of licensing loan originators. The licenses will need to be renewed annually and loan originators must complete continuing education under the new law. The Department may examine brokers' books and records automatically in the first five years of licensing and thereafter on complaint. Brokers will supervise mortgage broker licensees the first two years. Lee indicated that there is a great deal of work to be done.

J. Multi-lingual Homeownership Guides Proposal

Jerry McDonald noted that the education sub-committee asked the Department to do some research on whether the Department can use education funds to develop a guide for the public. Noting that the Department is in support of the idea that the consuming public could be better informed or knowledgeable, education funds cannot be utilized for this purpose. Commissioners agreed that there was not information for the consumer as to what is available in the process of buying or selling a home.

Commissioner Pilant asked if it was not a HUD requirement that translation services be provided to a real estate client. Wouldn't it help licensees if they had available to them multi-lingual homeownership guides that would explain to them the process and with that customer would be better served?

Diane McDaniel will research the question, does such a law exist and if such a law exists does that make a difference in the analysis of how education funds could be utilized. Diane will report back to the December commission meeting.

Director Luce encouraged commission members to look at the new Department of Licensing website and to note the variety of languages on the web page. Director Luce also noted the new and improved real estate section.

Jerry McDonald noted that real estate licenses could be renewed on line. Online renewal began last August and currently 27% of the licensees are renewing on line.

K. Budget Report

The Real Estate Commission Fund balance half way through the biennium shows a fund of approximately \$6.2 million dollars in the fund balance. Expenditures are slightly under budget and almost at a break-even point with the forecast.

L. Washington Center for Real Estate Research

The Board of Trustees for the WCRER met in April and that the Director of Licensing reappointed the current five members to the board. Glenn Crellin reiterated that he would be teaching full time this year and he has hired an individual to help out in the research capacity. A recent PhD in economics from WSU has been hired and he has begun working on the Growth Management Act and will begin working on some statistical issues. Glenn Crellin noted that the contract is in place for the Continuing Education Affidavit update. Various institutions of higher learning in the Olympia area have been contacted regarding hiring local students to enter data into a computerized database, which can be merged with individuals who have been renewing their license on line.

Presently the Center is working on two special projects, which have been funded by the Department of Licensing. Glenn Crellin presented a PowerPoint presentation on the Licensing Profile Survey. About 4000 licensees were surveyed and about 28% responded. Glenn reviewed the survey, how it compared to previous studies and what are the current trends. The executive summary would be posted on the Center's website as soon as it is completed. The full report will be provided to all real estate commissioners and to the staff of the Washington Realtors. Also the full report will also be available for purchase.

The second project GMA Impacts On Affordable Housing. – Subtitled: Are homes, which were affordable in 1990 when GMA was passed and 1995 when GMA was implemented, still affordable. Glenn indicated the completed report should be available by the end of September.

M. Other Business

Lee Malott, Administrator, noted the report from Pearson (formerly PROMISSOR), which several of the commissioners had requested. The report contained statistical information on race, ethnicity, and the statistics on fail/pass record for sales and fail/pass for brokers.

Lee Malott also reviewed the Real Estate Snapshot on exams taken by brokers and salespersons for the periods January 1, 2005 through July 31, 2005 and January 1, 2006 through July 31, 2006. Also noted were the number of companies and branches, inactive licensees and brokers & salespersons for January 1, 2005, April 30, 2006 and July 31, 2006. Complaints received, closed by program and referred to investigations were compared for the period 1 January 2005 through July 31, 2005 and January 1, 2006 through July 31, 2006.

Diane McDaniel commented that a new attorney, Jody Campbell, would be coming on board and will be attending the December meeting to advise the Real Estate Commission.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Lee Malott
Administrator